

STATE OF MICHIGAN
DEPARTMENT OF LABOR & ECONOMIC GROWTH
OFFICE OF FINANCIAL AND INSURANCE SERVICES

Before the Commissioner of the Office of Financial and Insurance Services

In the Matter of:

Ring Capital Group, LLC

Enforcement Case No. 06-3959

Christopher Ring

Respondents

Issued and entered
on November 22, 2006
by Richard D. Lavolette
Chief Deputy Commissioner

ORDER TO CEASE AND DESIST

The Office of Financial and Insurance Services (OFIS) of the Michigan Department of Labor and Economic Growth, pursuant to the Administrative Procedures Act of 1969, 1969 PA 306, as amended; MCL 24.201 *et seq.*; the Michigan Uniform Securities Act, 1964 PA 265, as amended; MCL 451.501 *et seq.* (Act), and the rules promulgated under the Act, says that:

FINDINGS OF FACT AND CONCLUSIONS OF LAW

1. Respondent Ring Capital Group, LLC (hereafter "Ring Capital") is a limited liability company organized under the laws of the State of Michigan, whose primary address is 1690 Meadowside Drive, Ann Arbor, Michigan 48104. Ring Capital is a registered investment adviser and possesses IARD No. 131536.
2. Christopher Ring (hereafter "Ring") owns and is the President and managing member of Respondent Ring Capital and is located at 1690 Meadowside Drive, Ann Arbor, Michigan 48104.
3. From about October 2004, Respondent Ring Capital has acted as an investment adviser to a hedge fund, Ring Short Term Equity Fund I, LLC. The hedge fund employs Respondent Ring as its manager.
4. Neither Respondent Ring Capital nor Respondent Ring is registered as a broker-dealer in the State of Michigan.
5. The hedge fund, Ring Short Term Equity Fund I, LLC has been offering membership interests in Ring Short Term Equity Fund I, LLC since October 2004.
6. The membership interests being offered by Ring Short Term Equity Fund I, LLC are securities under section 401(z) of the Michigan Uniform Securities Act.
7. Respondent Ring Capital has been compensated on an asset-based fee, however, Respondent Ring, as managing member of the hedge fund, is being compensated by a performance-based fee.
8. On or about December 21, 2005, Respondent Ring told the Office of Financial and Insurance Services, (OFIS) that Respondent Ring Capital has relied upon the Uniform Limited Offering Exemption Rule 803.7, therefore claiming exemption from registering the membership interests in Ring Short Term Equity Fund I, LLC offered by Respondent Ring Capital.

WHEREAS, Section 102(h) of the Act, MCL 451.502(h), provides that unless the Administrator by rule or order permits taking or have custody, it is unlawful for an investment adviser not registered as a broker-dealer to take or have custody of any securities or funds of any client; and

WHEREAS, Respondents are not registered as broker-dealers within the State of Michigan; and

WHEREAS, Respondent Ring is the owner and managing member of Ring Capital, an investment adviser, and Ring Capital is the investment adviser to a hedge fund, Ring Short Term Equity Fund I, LCC, therefore, the investment adviser, Ring Capital, has in-direct custody of the hedge fund and has violated Section 102(h) of the Act; and

WHEREAS, Section 102(b)(1) of the Act, MCL 451.502(b)(1), makes it unlawful for any investment adviser to enter into, extend, or renew any investment advisory contract unless it provides in writing that the investment adviser shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of the client; and

WHEREAS, the investment adviser Ring Capital is being compensated by an asset based fee, however, as the manager of the fund, Respondent Ring is being compensated by a performance-based fee. Since the manager of the investment adviser is the same person who manages the hedge fund, Respondent Ring Capital and Respondent Ring have violated the Act; and

WHEREAS, Section 402(b)(21) of the Act, MCL 451.802(b)(21), requires that a transaction made pursuant to a Uniform Limited Offering Exemption, the uniform limited offering exemption must be filed with the Administrator and the person claiming the exemption must pay a \$100.00 filing fee at the time of filing the initial notice form; and

WHEREAS, in correspondence received on December 21, 2005, by OFIS, Respondent Ring indicated that Respondent Ring Capital had relied upon the Uniform Limited Offering Exemption Rule 803.7, however, the OFIS database does not contain any record of Ring Short Term Equity Fund I, LLC ever completing the Uniform Limited Offering Exemption notice filing or paying the filing fee; and

WHEREAS, Section 401(z) of the Act, MCL 451.801(z), defines what constitutes a security, including in part: any certificate of interest or participation in any profit-sharing agreement; and

WHEREAS, the membership interests in Ring Short Term Equity Fund I, sold by Respondent Ring Capital, are profit-sharing agreements; and

WHEREAS, based on the foregoing, OFIS Staff recommends that the Commissioner find that Respondents Ring Capital and Ring are engaged in acts and practices that violates Section 102 and 402 of the Act and Rules promulgated under the Act; and

WHEREAS, this action is necessary, appropriate, and in the public interest for the protection of the public and consistent with the purposes fairly intended by the policy and provisions of the Act.

IT IS THEREFORE ORDERED, pursuant to Section 408 of the Act, MCL 451.808 and Section 409 of the Act, MCL 451.809, that:

1. Respondent Ring Capital and Respondent Ring shall immediately **CEASE AND DESIST** from transacting business as an investment adviser in the State of Michigan and from selling unregistered securities in the State of Michigan.
2. Failure to comply with this ORDER will subject you to one or more of the following:
 - a. A civil penalty of not more than \$1,000 for each violation of this Act, but not to exceed a total of \$10,000.
 - b. A criminal penalty of not more than \$25,000 for each violation, or imprisonment of not more than 10 years, or both.
3. You may file with the Administrator within 15 days after service of this Order a written request for a hearing. The Administrator, within 15 days after your filing, shall issue a notice of hearing and set a date for the hearing. Any request for a hearing should be addressed to: the Office of Financial and Insurance Services, Attention: Hearing Coordinator Dawn Kobus, P.O. Box 30220, Lansing, Michigan 48909.
4. If you do not request a hearing, or it is not ordered by the Administrator within 15 days, this Order will stand as entered and will be FINAL.
5. It is important to understand that any statements that you present in response to this Order may be used against you at a hearing. It is also important to understand that you have the right, at your own expense, to have an attorney assist you at a hearing.
6. Any other communication regarding this Order should be addressed to the Office of Financial and Insurance Services, Attention: William R. Peattie, P.O. Box 30220, Lansing, Michigan 48909.

MICHIGAN DEPARTMENT OF
LABOR & ECONOMIC GROWTH

By:



Richard D. Lavolette
Chief Deputy Commissioner
Office of Financial and Insurance Services